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Sneak Preview: Unveiling Indonesia's Upcoming Franchise Regulation

Indonesia's franchise regulatory framework has undergone significant development since its inception in 1997. It now consists of two simplified regulations: Government Regulation No. 42 of 2007 on Franchising ("GR 42/2007") and Minister of Trade Regulation No. 71 of 2019 on the Implementation of Franchising. Building on this progress, the Indonesian government intends to revise GR 42/2007 to promote growth in the franchising sector. While the issuance date of the revision is uncertain, we have outlined below the three main forthcoming changes to Indonesia's franchising rules.

First, a change will be made to the criteria for qualifying as a 'franchise'. Previously, businesses seeking 'franchise' status had to demonstrate at least 5 years of operation and profitability. The revision of GR 42/2007 intends to reduce this requirement from 5 years to 3 years to facilitate the establishment of franchise businesses.

Second, pending applications for intellectual property rights (IPR) registration will no longer suffice to obtain a Franchise Registration Certificate (*Surat Tanda Pendaftaran Waralaba* - "STPW"). The revision of GR 42/2007 aims to ensure certainty regarding the future use of IPR for franchise purposes by disallowing pending applications from meeting this criterion. Therefore, all franchisors must have their IPR registered in Indonesia.

Third, the revision of GR 42/2007 intends to remove the requirement for franchisees to register their signed franchise agreements to obtain an STPW. Under the upcoming revision, franchisees will only need to provide their information by completing a form provided by the Ministry of Trade to obtain an STPW.

Although these points have been circulated online, the revision of GR 42/2007 is still under discussion by both the Ministry of Trade and the Ministry of Law and Human Rights, leaving its issuance date undetermined.

To conclude, there is strong optimism that the upcoming revisions of GR 42/2007 will streamline the franchise registration procedure, promote expansion in the franchise sector, and provide greater clarity and assurance for both franchisors and franchisees. As we continue to closely monitor further developments in Indonesia's franchising system, be sure to stay connected for our latest updates.

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